

**RETURN TO FREEDOM, INC.**

**DECEMBER 31, 2020 AND 2019**

**FINANCIAL STATEMENTS**



**BARTLETT, PRINGLE & WOLF, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

# RETURN TO FREEDOM, INC.

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of  
Return to Freedom, Inc.:**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Return to Freedom, Inc. (a non-profit Organization), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Return to Freedom, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Bartlett, Bingham & Wolf, LLP*

Santa Barbara, California  
August 21, 2024

**RETURN TO FREEDOM, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 1,008,513	\$ 141,917
Receivables	10,684	-
Inventory	14,289	12,855
Total current assets	1,033,486	154,772
Property and Equipment:		
Computers	18,763	18,763
Equipment	319,909	312,909
Leasehold improvements	648,198	560,160
Total property and equipment	986,870	891,832
Less accumulated depreciation	(441,074)	(351,847)
Net property and equipment	545,796	539,985
Other Assets:		
Investments	312,572	281,968
Advances	-	4,064
Total other assets	312,572	286,032
Total Assets	\$ 1,891,854	\$ 980,789

*See accompanying notes*

**RETURN TO FREEDOM, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 37,993	\$ 138,345
Accrued expenses	223,068	247,166
Related party payable	-	26,000
Current portion of notes payable	7,600	8,621
Total current liabilities	268,661	420,132
Long-Term Liabilities:		
Notes payable, net of current portion	158,645	10,938
Total long-term liabilities	158,645	10,938
Total liabilities	427,306	431,070
Net Assets:		
Without donor restrictions	1,232,635	329,141
With donor restrictions	231,913	220,578
Total net assets	1,464,548	549,719
Total Liabilities and Net Assets	\$ 1,891,854	\$ 980,789

*See accompanying notes*

**RETURN TO FREEDOM, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions:		
Operating Revenue and Support:		
Special events, net of related expenses of \$3,449 and \$8,802 in 2020 and 2019, respectively	\$ 46,669	\$ 56,210
Contributions	630,759	446,248
Grants	317,000	366,300
Bequests	1,432,947	153,277
In-kind donated facilities	60,000	60,000
In-kind contributions	38,834	63,194
Product sales	19,663	16,948
Interest and dividend income	5,143	20,474
Realized and unrealized gain on investments	18,953	114,578
Miscellaneous income	10,048	20,794
Net assets released from restrictions	183,676	534,305
Total operating revenue	<u>2,763,692</u>	<u>1,852,328</u>
Operating Expenses:		
Program services	1,354,611	1,494,043
Management and general	292,834	342,278
Fundraising	212,754	206,750
Total operating expenses	<u>1,860,199</u>	<u>2,043,071</u>
Increase (decrease) in net assets without donor restrictions	903,493	(190,743)
Changes in Net Assets with Donor Restrictions:		
Contributions with donor restrictions	195,012	471,883
Net assets released from restrictions	(183,676)	(534,305)
Increase (decrease) in net assets with donor restrictions	<u>11,336</u>	<u>(62,422)</u>
Change in net assets	914,829	(253,165)
Net assets at beginning of year	<u>549,719</u>	<u>802,884</u>
Net assets at end of year	<u>\$ 1,464,548</u>	<u>\$ 549,719</u>

*See accompanying notes*

**RETURN TO FREEDOM, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 914,829	\$ (253,165)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	89,227	63,725
Realized and unrealized gain on investments	(18,953)	(114,578)
(Increase) decrease in:		
Accounts receivable	(10,684)	200
Inventory	(1,434)	2,855
Prepaid expenses	-	8,250
Advances	4,064	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(124,450)	(84,269)
Related party payable	(26,000)	26,000
	<u>826,599</u>	<u>(350,982)</u>
Cash Flows from Investing Activities:		
Purchases of investments	(170,059)	(810,604)
Sale of investments	158,408	1,280,330
Purchase of property and equipment	(95,038)	(226,552)
	<u>(106,689)</u>	<u>243,174</u>
Cash Flows from Financing Activities:		
Payments on notes payable	(8,814)	(9,285)
Proceeds from issuance of new loans	155,500	-
	<u>146,686</u>	<u>(9,285)</u>
Net increase (decrease) in cash and cash equivalents	866,596	(117,093)
Cash and cash equivalents, beginning of year	<u>141,917</u>	<u>259,010</u>
Cash and cash equivalents, end of year	<u>\$ 1,008,513</u>	<u>\$ 141,917</u>

*See accompanying notes*

**RETURN TO FREEDOM, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2020**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and related expenses	\$ 437,665	\$ 76,887	\$ 76,888	\$ 591,440
Employee benefits	60,810	10,683	10,683	82,176
Animal maintenance	359,832	-	-	359,832
Automobile expenses	12,930	-	-	12,930
Bank fees	-	13,263	-	13,263
Contract services	46,386	25,301	12,651	84,338
Depreciation expense	89,227	-	-	89,227
Direct mail program	-	-	97,759	97,759
Donated services	38,834	-	-	38,834
Dues and subscriptions	-	7,090	-	7,090
Education expenses	500	-	-	500
Equipment rental and maintenance	3,249	-	-	3,249
Grounds and facility maintenance	45,708	-	-	45,708
In-kind donated facilities	57,000	3,000	-	60,000
Insurance	24,938	10,687	-	35,625
Investment fees	-	2,745	-	2,745
Merchandise fees	-	-	9,914	9,914
Office expenses	-	83,343	-	83,343
Professional fees	112,630	59,835	3,520	175,985
Rent	52,850	-	-	52,850
Travel and business meals	12,052	-	1,339	13,391
Totals	<u>\$ 1,354,611</u>	<u>\$ 292,834</u>	<u>\$ 212,754</u>	<u>\$ 1,860,199</u>

*See accompanying notes*

**RETURN TO FREEDOM, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 539,896	\$ 94,847	\$ 94,847	\$ 729,590
Employee benefits	66,327	11,652	11,652	89,631
Animal maintenance	447,539	-	-	447,539
Automobile expenses	22,784	-	-	22,784
Bank fees	-	28,583	-	28,583
Contract services	32,056	17,485	8,742	58,283
Depreciation expense	-	63,725	-	63,725
Direct mail program	-	-	54,813	54,813
Donated services	63,227	-	-	63,227
Dues and subscriptions	-	3,656	-	3,656
Education expenses	8,013	-	-	8,013
Equipment rental and maintenance	8,983	-	-	8,983
Grounds and facility maintenance	51,537	-	-	51,537
In-kind donated facilities	57,000	3,000	-	60,000
Insurance	22,943	9,833	-	32,776
Investment fees	-	-	21,901	21,901
Merchandise fees	-	-	9,670	9,670
Office & other expenses	-	59,817	-	59,817
Professional fees	93,515	49,680	2,922	146,117
Rent	60,400	-	-	60,400
Travel and business meals	19,823	-	2,203	22,026
Totals	<u>\$ 1,494,043</u>	<u>\$ 342,278</u>	<u>\$ 206,750</u>	<u>\$ 2,043,071</u>

*See accompanying notes*

**RETURN TO FREEDOM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 1 - Nature of Activities**

Return To Freedom, Inc. (the Organization) was formed as an animal sanctuary and educational retreat. The Organization provides a home for animals that may otherwise be slaughtered, abused, or left to roam without food or water. The focus of the Organization is wild horse rescue and sanctuary, education, and preservation of diverse natural herd groups.

**Note 2 - Summary of Significant Accounting Policies**

A) Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for current support of Organization activities and not subject to donor restrictions. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

B) Cash and Cash Equivalents

All highly liquid financial instruments with a maturity of three months or less at the date of purchase are considered to be cash equivalents. Amounts held as investments are not considered cash and cash equivalents for the purpose of the statement of cash flows.

**RETURN TO FREEDOM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

C) Property and Equipment

Property and equipment acquisitions are recorded at cost, or if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. Amortization of the leasehold improvements within an operating lease shall be amortized in accordance with ASC 840 over the shorter of the useful life of the improvements or the lease term, including additional renewal periods that are reasonably assured.

The estimated useful lives of the assets are as follows:

Computers and equipment	5 – 7 years
Leasehold improvements	3 - 15 years

D) Donated Services

The financial statements include \$38,834 and \$63,227 recorded for donated services provided to the Organization in unrestricted contributions and program expenses for the years ended December 31, 2020 and 2019, respectively. A substantial number of other volunteers, including the Board of Directors, have donated significant amounts of their time to the Organization. However, no amounts are reflected in the financial statements for these other donated services since no objective basis is available to measure the value of such services.

E) Investments

Investments are primarily investments in debt and equity securities that are carried at market value, with realized and unrealized gains and losses reported as changes in net assets without donor restrictions. The cost of securities sold is based on the specific identification method.

F) Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes on related income pursuant to Section 509(a)(1) of the Code. The Organization is not considered a private foundation for income tax purposes.

G) Functional Allocation of Expenses

The costs of providing the various programs and other supporting services have been summarized on a functional basis in the statement of functional expenses. Expenses that can be specifically identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on time spent in the various functions as estimated by the Organization's management.

**RETURN TO FREEDOM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

H) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

I) Recent Accounting Updates

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (ASU 2016-02). This ASU provides accounting guidance for both lessee and lessor accounting models. Among other things, lessees will recognize a right-of-use asset and a lease liability for leases with a duration of greater than one year. For income statement purposes, ASU 2016-02 will require leases to be classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. The new standard will be effective for the Organization for the year ended December 31, 2022. Management is currently in the process of evaluating the impact of this guidance on its financial statements and related disclosures.

In September 2020, the FASB issued Accounting Standards Update No. 2020-07 on Topic 958, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07). The new standard requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The new standard is required to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is not allowed. Management is currently in the process of evaluating the impact of this guidance on its financial position, results of operations, and cash flows.

**RETURN TO FREEDOM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 3 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,008,513	\$ 141,917
Receivables	10,684	-
Investments	312,572	281,968
Less net assets with donor restrictions	<u>(231,913)</u>	<u>(220,578)</u>
	<u>\$ 1,099,856</u>	<u>\$ 203,307</u>

**Note 4 - Board Designated Net Assets**

In 2010, the Board of Directors adopted an investment policy designating \$500,000 of an anonymous contribution as board designated net assets. Once this fund grows to \$1,000,000, a portion of the funds can be used for capital improvement projects upon Board approval. The Organization uses the income generated from board designated net assets for operations and the principal is maintained under the discretion of the Board.

In 2019, the Board undesignated all non-donor-restricted funds in the endowment account and permitted them to be used for operations.

**Note 5 - Investments**

Investments consist of the following as of December 31:

	<u>2020</u>		
	<u>Cost</u>	<u>Market</u>	<u>Excess of Market Over Cost</u>
Cash and cash equivalents	\$ 5,106	\$ 5,106	\$ -
Corporate stocks and equity funds	208,810	242,483	33,673
Exchange-traded funds	61,310	64,983	3,673
	<u>\$ 275,226</u>	<u>\$ 312,572</u>	<u>\$ 37,346</u>

**RETURN TO FREEDOM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 5 - Investments (continued)**

	2019		
	Cost	Market	Excess of Market Over Cost
Cash and cash equivalents	\$ 49,603	\$ 49,603	\$ -
Corporate stocks and equity funds	37,152	58,236	21,084
Exchange-traded funds	137,580	174,129	36,549
	\$ 224,335	\$ 281,968	\$ 57,633

**Note 6 - Fair Value Measurements**

The Financial Accounting Standards Board provides a framework for measuring fair value under accounting principles generally accepted in the United States of America and requires certain disclosures regarding fair value measurements for all assets and liabilities that are being measured and reported on a fair value basis. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

The framework requires that assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The Organization has various processes and controls in place to ensure that fair value is reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models, and periodic re-assessments of models to ensure that they are continuing to perform as designed. The Organization performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

**RETURN TO FREEDOM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 6 - Fair Value Measurements (continued)**

During the years ended December 31, 2020 and 2019, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

The following is a description of the valuation methodologies used for instruments measured at fair value:

*Cash and cash equivalents:* The carrying amount approximates fair value because of the short maturity of those investments.

*Corporate stocks and equity funds:* Corporate stocks and equity funds are valued at quoted market prices or net asset value (NAV) of shares held as of year-end.

*Exchange-traded funds:* Exchange-traded funds are generally valued at or near the NAV of the underlying assets held, however they trade on a stock exchange like a common stock. Therefore the market price of the exchange-traded fund is readily determinable by the current trading price on the stock exchange on which they are listed.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets measured at fair value, on a recurring basis, as of December 31, 2020 and 2019.

	<b>December 31, 2020</b>			
Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$ 5,106	\$ 5,106	\$ -	\$ -
Corporate stocks and equity funds	242,483	242,483	-	-
Exchange-traded funds	64,983	64,983	-	-
Total assets, at fair value	<u>\$ 312,572</u>	<u>\$ 312,572</u>	<u>\$ -</u>	<u>\$ -</u>

	<b>December 31, 2019</b>			
Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$ 49,603	\$ 49,603	\$ -	\$ -
Corporate stocks and equity funds	58,236	58,236	-	-
Exchange-traded funds	174,129	174,129	-	-
Total assets, at fair value	<u>\$ 281,968</u>	<u>\$ 281,968</u>	<u>\$ -</u>	<u>\$ -</u>

**RETURN TO FREEDOM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 7 - Income Tax Matters**

The Organization has adopted the accounting for uncertainty in income tax positions contained within accounting principles generally accepted in the United States of America. This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's financial statements to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to or disclosure in the financial statements to comply with the provisions of this guidance.

However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof. The Organization files income tax returns in the U.S. federal jurisdiction and in the state of California. The Organization is no longer subject to examination by U.S. federal tax authorities for the years before 2017 and by state of California tax authorities for years before 2016.

**Note 8 - Endowment**

The Organization's endowment was established for the purpose of attracting additional major donations and for the long-term needs of the Organization. The endowment includes one donor-restricted endowment fund and one fund designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2019, the Board undesignated all non-donor-restricted funds in the endowment account and permitted them to be used for operations.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as permanently restricted endowment (a) the original value of the gifts donated (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**RETURN TO FREEDOM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 8 - Endowment (continued)**

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment net asset composition by type of fund as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds	-	197,895	197,895
Total Endowment	<u>\$ -</u>	<u>\$ 197,895</u>	<u>\$ 197,895</u>

Changes in endowment net assets for the year ended December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 197,895	\$ 197,895
Release from board-designated funds	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 197,895</u>	<u>\$ 197,895</u>

Endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds	-	197,895	197,895
Total Endowment	<u>\$ -</u>	<u>\$ 197,895</u>	<u>\$ 197,895</u>

**RETURN TO FREEDOM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 8 - Endowment (continued)**

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 409,539	\$ 197,895	\$ 607,434
Release from board-designated funds	<u>(409,539)</u>	<u>-</u>	<u>(409,539)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 197,895</u>	<u>\$ 197,895</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a growth and income model in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy to appropriate for distribution amounts recommended by the investment committee such that real return from the fund remains positive. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

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**Note 9 - Net Assets Released from Donor Restrictions**

Net assets during December 31, 2020 and 2019 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Operations support	\$ -	\$ 102,000
Help me live campaign	4,803	216,941
Alliance expenses	-	160
Wild horse monitoring and range expenses	26,023	35,108
Vet fund	9,393	-
Sponsor a bale campaign	71,793	28,421
Sponsor a horse campaign	-	78,372
Fill the bucket campaign	-	2,910
Supplemental feed for geriatric horses	13,000	-
Wildlife biologist position	58,664	62,422
Veterinary costs	-	7,471
Fundraising or hay costs	-	500
	<u>          </u>	<u>          </u>
Total	<u>\$ 183,676</u>	<u>\$ 534,305</u>

**Note 10 - Net Assets With Donor Restrictions**

Net assets with donor restrictions as of December 31, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Land purchase	\$ 10,105	\$ 10,105
Wildlife biologist position	23,913	12,578
Endowment	197,895	197,895
	<u>          </u>	<u>          </u>
Total	<u>\$ 231,913</u>	<u>\$ 220,578</u>

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**Note 11 - Accrued Liabilities**

Amounts included in accrued liabilities are as follows at December 31:

	2020	2019
Accrued vacation	\$ 41,772	\$ 37,804
Accrued salaries	10,101	10,101
Accrued payroll taxes, interest and penalties	153,190	150,293
Accrued credit cards	18,005	48,968
	<u>18,005</u>	<u>48,968</u>
Total	<u>\$ 223,068</u>	<u>\$ 247,166</u>

**Note 12 - Notes Payable**

On August 2, 2017, the Organization financed equipment through a non-interest bearing note with Kubota Credit Corporation, issued for \$18,376. The note is payable in 48 monthly installments of \$382 beginning September 6, 2017. This note includes a security interest in the equipment until payments in full are received. This note matures on August 6, 2021. The outstanding note balance was \$3,063 and \$7,657 at December 31, 2020 and 2019, respectively.

On August 4, 2017, the Organization financed equipment through a \$19,599 note entered into with Sheffield Financial. This note bears an interest rate of 11.99% and is payable in 60 monthly installments of \$436 beginning September 8, 2017. This note includes a security interest in the equipment until payments in full are received. This note matures on August 8, 2022. The outstanding note balance was \$7,682 and \$11,902 at December 31, 2020 and 2019, respectively.

On May 1, 2020, the Organization received loan proceeds of \$145,500 under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan has an interest rate of 1.00% and maturity date of May 1, 2022. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. This loan was fully forgiven on March 1, 2021.

On April 24, 2020, the Organization received loan proceeds of \$10,000 under the Economic Injury Disaster Loan (EIDL) program established as part of the CARES Act. The Organization meets the eligibility requirements for forgiveness.

Future minimum principal payments are as follows for the years ending December 31:

2021	\$ 7,600
2022	158,645
2023	<u>-</u>
	<u>\$ 166,245</u>

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**Note 13 - Commitments and Contingencies**

In 2013, the Organization learned that the independent contractor responsible for disbursing payroll taxes failed to do so during the period of 2011 through 2013. Nonetheless, per Internal Revenue Service (IRS) regulations, the Organization is liable for the unpaid taxes. In accordance with this regulation and relevant accounting principles, the Organization has accrued liabilities equal to the outstanding amount payable per the latest communication from the IRS. The accrued liability amounted to \$153,190 and \$150,293 as of December 31, 2020 and 2019, respectively.

**Note 14 - Retirement Plan**

The Organization has adopted a retirement plan under Internal Revenue Code Section 403(b). Substantially all employees are eligible to participate on the first anniversary of their employment commencement date. The Organization's contributions to the plan are at the discretion of the Board of Directors. Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Organization's discretionary contributions plus actual earnings thereon is based on years of continuous service. A participant is 100 percent vested after six years of credited service. The Organization did not make any contributions to the plan during the years ended December 31, 2020 and 2019, respectively.

**Note 15 - Related Party Transactions**

Lease Obligation

The Organization leases its administrative office and ranch facilities from the President of the Organization and a family member. The facilities include approximately 300 acres of grazing pastures, horse barns, and veterinary facilities. As a condition of the lease, the Organization is responsible for maintenance expenses of the property. Beginning in July 2012, the Organization agreed to pay \$4,000 on a monthly basis through July 28, 2014. In August 2014, this lease was renewed with similar terms through July 28, 2015 and contains an auto renewal feature for future years. The lease was automatically renewed on a month-to-month basis per the provisions in the lease agreement. For the years ended December 31, 2020 and 2019, the Organization paid a total of \$48,000 and \$48,000, respectively, in rent payments. See Note 16 for changes to the lease agreement subsequent to year-end.

Management estimates the full value of the property at \$9,000 a month. The Organization has recorded the donated use of facilities at the estimated fair market value of the facilities less the actual amounts paid as in-kind donated facilities. For the years ended December 31, 2020 and 2019, the Organization reported \$60,000, in donated facilities.

Purchase of Vehicle

In 2019, the Organization purchased a truck from the President of the Organization for \$33,000 and made a \$7,000 payment. The outstanding balance due to the President of the Organization as of December 31, 2020 and 2019 was \$0 and \$26,000, respectively.

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**Note 16 - Subsequent Events**

Subsequent events have been evaluated through August 21, 2024, the date that the financial statements were available for issuance.

On March 13, 2021, the Organization received a Second Draw PPP Loan in the amount of \$166,261. This loan was fully forgiven on March 28, 2022.

On October 1, 2021, the Organization entered into an amended and renewed lease agreement that includes an auto-renewal provision and increased annual rent due from \$48,000 to \$60,000.

On July 1, 2022, the Organization entered into an amended and renewed lease agreement that includes an auto-renewal provision and increased annual rent due from \$60,000 to \$144,000.